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PAGE 001

NC 4937664

TOR: 151722Z AUG 84

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 RUEHTV/AMEMBASSY TEL AVIV 5445
 RUEHJM/AMCONSUL JERUSALEM 2933
 RUEHDM/AMEMBASSY DAMASCUS 2423
 RUEHAM/AMEMBASSY AMMAN 5315
 RUEHJI/AMEMBASSY JIDDA 8196
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E.O. 12356: DECL: OADR

TAGS: OREP, EG

SUBJECT: CODEL GRAY'S MEETING WITH PRESIDENT MUBARAK

1. SECRET - ENTIRE TEXT.

2. CONGRESSMAN GRAY, ACCOMPANIED BY AMBASSADOR AND HAC STAFF DIRECTOR POWERS, HAD APPROXIMATELY A 45-MINUTE MEETING WITH PRESIDENT MUBARAK MORNING OF AUGUST 13. OSAMA EL-BAZ, DIRECTOR OF PRESIDENT'S OFFICE, ALSO ATTENDED. CONGRESSMAN GRAY AND PRESIDENT MUBARAK DISCUSSED THE CURRENT STATUS OF THE EGYPTIAN ECONOMIC AND MILITARY ASSISTANCE BILL IN CONGRESS. PRESIDENT MUBARAK EXPRESSED APPRECIATION FOR GENEROUS AMERICAN ASSISTANCE IN GENERAL AND TO CONGRESSMAN GRAY AND THE HAC IN PARTICULAR FOR ITS RECENT ACTION IN APPROVING AN ADDITIONAL \$65 MILLION ESF.

3. CONGRESSMAN GRAY DESCRIBED THE NATURE AND PURPOSE OF THE TRADE MISSION FROM PHILADELPHIA WHICH IS ACCOMPANYING HIM ON THIS VISIT. PRESIDENT MUBARAK SAID THAT HE HAD BEEN BRIEFED ON THE GROUP AND THAT WAS WHY HE ASKED MINISTER OF ECONOMY SAID TO MEET WITH THEM AT THE PRESENT TIME AND TO JOIN IN THE SUBSEQUENT LARGER MEETING. HE ALSO NOTED THAT MINISTER SAID WOULD BE MEETING WITH THE CONGRESSMAN TOMORROW.

4. CONGRESSMAN GRAY ASKED PRESIDENT MUBARAK TO COMMENT ON THE SITUATION IN THE AREA WITH A FOCUS ON THE FUTURE OF CAMP DAVID ACCORDS AND THE EGYPTIAN-ISRAELI RELATIONSHIP. PRESIDENT MUBARAK EXPLAINED THE ORIGIN OF THE CURRENT STRAINS IN RELATIONS WITH ISRAEL IN FAMILIAR TERMS, FOCUSING ON THE PROBLEM OF LEBANON. HE RECALLED HIS PERSONAL WARNINGS TO FORMER SECRETARY HAIG AND SENIOR ISRAELI MINISTERS, INCLUDING SHARON, OF THE DANGERS OF INVADING LEBANON. HE WENT ON TO POINT OUT THAT HE WITHDREW HIS AMBASSADOR ONLY AFTER THE SHABRA AND SHATILLA MASSACRES

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SECRET

84 4937664

SSO

PAGE 002

NC 4937664

TOR: 151722Z AUG 84

AND NOTED THIS WAS A MINIMAL ACTION GIVEN EXTREMELY NEGATIVE EGYPTIAN PUBLIC REACTION TO THAT BLOODLETTING FOR WHICH ISRAEL WAS HELD RESPONSIBLE. HE SAID THAT HE WOULD BE WILLING TO SEND THE AMBASSADOR BACK ONCE THE ISRAELIS SET A DEADLINE FOR WITHDRAWAL FROM LEBANON, SETTLED TABA AND "GAVE SOMETHING" TO THE PALESTINIANS. HE DESCRIBED THE BACKGROUND OF THE TABA PROBLEM IN SOME DETAIL, EXPLAINING THAT IT HAD BECOME A MAJOR DOMESTIC ISSUE. HE ALSO MADE CLEAR THAT IN HIS VIEW A SATISFACTORY SOLUTION MEANT THAT ISRAEL WOULD ACCEPT EGYPT'S TERRITORIAL CLAIMS IN RETURN FOR EGYPT BUYING THE HOTEL FROM ISRAEL.

5. PRESIDENT MUBARAK SAID THAT HE HOPED AN ISRAELI GOVERNMENT WOULD BE FORMED SOON THAT WOULD TAKE SOME OF THESE POSITIVE ACTIONS BECAUSE HE WANTED THE EGYPTIAN AMBASSADOR BACK IN ISRAEL. HE NOTED THAT EGYPT'S GOAL IS TO BE A MEDIATOR BETWEEN ISRAEL AND THE OTHER ARABS TO ENLARGE THIS CIRCLE OF PEACE. IN HIS VIEW, IT WAS UP TO THE NEW ISRAELI GOVERNMENT TO TAKE THE STEPS THAT COULD UNLOCK THIS PROCESS. IN THE COURSE OF THIS DISCUSSION, PRESIDENT MUBARAK DESCRIBED IN FAMILIAR TERMS THE VARIOUS MESSAGES HE RECEIVED FROM THE LIBYANS AND THE SYRIANS URGING EGYPT TO BREAK WITH CAMP DAVID AND TO TURN ITS BACK ON THE TREATY. HE DISMISSED SUCH ADVICE AS NONSENSE WHICH TOTALLY MISREAD EGYPT'S COMMITMENT TO PEACE IN EGYPT'S INTEREST AS WELL AS IN THE BROADER INTERESTS OF THE OTHER ARABS.

6. CONGRESSMAN GRAY THANKED PRESIDENT MUBARAK AND TOLD HIM THAT THE BSENCE FROM ISRAEL OF THE EGYPTIAN AMBASSADOR IS RAISED OFTEN AT CONGRESSIONAL DELIBERATIONS. FOR THIS REASON, HE WANTED TO HEAR PRESIDENT MUBARAK'S OWN PERSONAL VIEWS ON THIS ISSUE. HE NOTED THE STRONG SUPPORT IN THE CONGRESS FOR EGYPT BUT THE CONTINUING CONCERN OVER THE DETERIORATION IN ISRAELI-EGYPTIAN RELATIONS. HE EXPRESSED HOPE FOR AN EARLY RETURN OF THE AMBASSADOR AND TOLD THE PRESIDENT THAT HE WOULD REPORT BACK TO HIS CONGRESSIONAL COLLEAGUES PRESIDENT MUBARAK'S VIEWS ON THE SITUATION, INCLUDING HIS VIEWS ON THE CONTINUING DIALOGUE WHICH IS GOING ON BETWEEN EGYPT AND ISRAEL DESPITE THE ABSENCE OF THE EGYPTIAN AMBASSADOR FROM ISRAEL.

7. IN ANSWER TO A QUESTION, PRESIDENT MUBARAK WAS VERY PESSIMISTIC ABOUT THE CHANCES OF KING HUSSEIN JOINING THE

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PEACE PROCESS. AT A MINIMUM, HE NEEDED THE SUPPORT OF THE PLO AND THINGS DID NOT LOOK PROMISING IN THE JORDANIAN-PLO DIALOGUE. HE SAID THAT SAUDI SUPPORT WAS IMPORTANT BUT SECONDARY TO PLO AGREEMENT. IN ANSWER TO A QUESTION FROM MR. POWERS, PRESIDENT MUBARAK SAID THAT EGYPTIAN-SAUDI RELATIONS HAD IMPROVED, THERE WERE CONTINUED CONTACTS BETWEEN THE COUNTRIES, TRADE HAD INCREASED, AND THERE WERE MORE EGYPTIANS THAN EVER LIVING AND WORKING IN SAUDI ARABIA. HE NOTED, HOWEVER, THAT THE SAUDIS WILL NOT PUBLICLY OR OFFICIALLY ACKNOWLEDGE THE IMPROVED RELATIONSHIPS BECAUSE OF THE USUAL FEARS OF SYRIAN AND RADICAL PALESTINIAN REACTIONS. EGYPT WOULD CONTINUE TO WORK HARD TO IMPROVE THE RELATIONSHIP, HE SAID.

8. AS A FINAL ITEM ON THE AGENDA, CONGRESSMAN GRAY RAISED THE \$102 MILLION DEOB-REOB ISSUE. HE EXPLAINED THAT THERE

SECRET

SECRET

84 4937664

SSO

PAGE 003
TOR: 151722Z AUG 84

NC 4937664

WAS NO OPPOSITION IN THE CONGRESS TO THE MONEY BEING ADDED TO THE EGYPTIAN AID PROGRAM. THE ONLY QUESTION IS WHETHER IT IS TO BE A CASH GRANT ON THE ISRAELI MODEL OR SOMETHING MORE IN KEEPING WITH TRADITIONAL UNITED STATES' ECONOMIC ASSISTANCE PRACTICE. HE EXPLAINED TO PRESIDENT MUBARAK THAT WE WERE NOT TALKING "CONDITIONALITY" OR ISSUES OF "SOVEREIGNTY" BUT RATHER PRACTICAL MATTERS CONCERNING THE USUAL CONGRESSIONAL "DESIRE TO KNOW HOW MONEY IS BEING USED." THE GROUP EXPLORED A POSSIBLE SOLUTION OFFERED BY CONGRESSMAN GRAY THAT THE DOCUMENTS TO BE SIGNED BY THE GOE AND U.S. COULD INDICATE THE AREAS OF DEVELOPMENT FOR WHICH EGYPT INTENDED TO USE THE FUNDS. FOR EXAMPLE, PERHAPS FOR SPECIFIC CHAPTERS OF THE DEVELOPMENT PLAN. PRESIDENT MUBARAK REACTED FAVORABLY TO THIS SUGGESTION, NOTING THAT THIS WOULD BE IN KEEPING WITH HIS REQUEST FOR FLEXIBILITY WHICH HE HAD DISCUSSED AT SOME LENGTH WITH PRESIDENT REAGAN TWO YEARS AGO. IT WAS AGREED THAT AID DIRECTOR STONE, MR. POWERS, AND MINISTER SAID WOULD SEEK TO COME TO AGREEMENT ON A FORMULA THE NEXT DAY. OSAMA EL-BAZ SUBSEQUENTLY CONFIRMED THAT PRESIDENT MUBARAK LIKED THIS IDEA AND HAD SO INFORMED MINISTER SAID. VELIOTES
END OF MESSAGE

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